

FISCAL NOTE

TO: Chief Clerk of the Senate
Chief Clerk of the House

FROM: James A. Davenport, Executive Director

DATE: February 14, 1996

SUBJECT: **HB 2042 - SB 2151**

This bill, if enacted, will make it an offense for any person, including without limitation any entity licensed pursuant to TCA, Title 56, to offer or agree to a contract for professional health care services which contains a provision to automatically reduce the payment to be made for services by any licensed health care facility or licensed health care professional, if such health care facility or health care professional agrees to accept a lower payment for such services from another purchaser of such services. Under current law, insurance companies are permitted to negotiate contracts with providers that guarantee that they will receive the lowest rate offered by that provider. Enactment of this bill will eliminate such *most favored nation* contract terms.

TennCare contracts between the state and MCO's prohibit the MCO's from demanding TennCare payment rates from providers for the MCO's non-TennCare business.

The fiscal impact from enactment of this bill is estimated to be an increase in expenditures to state and local governments*. The amount of increase cannot be determined but is estimated to exceed \$200,000 to state

HB 2042 - SB 2151

government and \$100,000 to local governments in higher costs for employee health benefits.

The fiscal impact of this bill is also estimated to increase local government revenues for any fines imposed for violation of this offense. However, such revenues cannot be determined but are estimated to be not significant.

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James A. Davenport". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

James A. Davenport, Executive Director

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*